

INFORMATION REPORT

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COUNTRY Austria/USSR

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SUBJECT Proposed Lifting of Austrian Government
Control of Iron and Steel Allocations

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1. In line with Austrian Government policy of gradual relaxation of the allocation system, the Ministry of Trade has for some time been considering termination of government-controlled iron and steel allocations. The fact that the Soviet Element had become increasingly interested in exact breakdowns of allocation figures was cited in the Ministry as an additional reason for lifting government controls on iron and steel. The Soviets, of course, realized that termination of government controls would mean the end of the detailed quarterly reports on raw material allocation which are submitted to the Allied Council by the Austrian Government, and, in late August or September, Colonel Kulagin, chief of the Economic Division of the Soviet Element, voiced the opinion that the Austrian Government could not abolish government controls of critical raw materials without Allied approval. Comment: Source reported in July 1948, that Captain Polym, representing Kulagin in discussions with the Ministry of Trade, took the same stand with reference to the Austrian Government's intention to lift controls on machinery; see According to an official of the Ministry of Trade, Kulagin's opinion is completely without legal foundation, but since the Ministry did not desire to antagonize the Soviet Element unnecessarily, the matter was dropped for the time being.
2. On 4 November, the Austrian Allocation Commission (Bewirtschaftungskommission) adopted a recommendation that government controls on iron and steel be lifted. The Allocation Commission, which meets in the Berggasse Branch of the Ministry of Trade, is composed of delegates from several ministries, representatives of the Chamber of Commerce and the Chamber of Labor (Arbeiterkammer), and representatives of private industry. The People's Party (OeVP) has a majority representation on the Allocation Commission, and all OeVP members voted for the recommendation that government controls be lifted. The Socialist members of the Commission advocated retention of government controls.
3. During the first week of November, at a dinner given by the Minister of Trade, Dr. Ernst Kolb, for the Economic Division of the Soviet Element, Kulagin, in conversation with Baron Augenthaler of Section XXI, Ministry of Trade, mentioned the impending termination of government allocation of iron and steel and observed in a jovial manner that if government controls were abolished, "we could do good

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and was generally interpreted to mean that if government controls were ended, the Soviets would increase their schilling purchases of Austrian iron and steel to the detriment of the Austrian economy. According to a high official of the Ministry of Trade, the Minister is again undecided on the problem of lifting government controls on iron and steel, and is said to favor retention of the allocation system, at least, for a while. The function of the Allocation Commission is purely advisory, and the Minister of Trade is not bound to act in conformance with the Commission's vote.

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